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MEMORANDUM

TO: Interested Persons
FROM: Michael J. Sullivan, Director *mjs*
SUBJECT: Political Committee Automobile Leases

This memorandum provides guidelines for political committees which lease an automobile. Candidates, including legislators, and political committees which follow these guidelines will ensure that expenses associated with leased automobiles comply with the campaign finance law's record keeping requirements and restrictions on personal use.

1. Purpose of Leased Automobile Expenditure - A political committee may make expenditures in connection with a leased automobile provided such expenditures are for:

- (a) travel related to campaigning for votes and fundraising, i.e. campaign travel,
- (b) travel related to performing one's duties as an elected official including commuting to and from the state house if not paid for by a legislator's "per diem" (See Part 3), i.e. legislative travel, or
- (c) travel related to providing constituent services including traveling to or from a district office, i.e. constituent travel.

A political committee may not make expenditures in connection with a leased automobile which are for the candidate, an agent or any other person's personal travel. For the purposes of this memorandum campaign, legislative and constituent travel are referred to collectively as "political travel." All other travel is referred to as "personal travel."

2. Leased Automobiles - If a political committee reasonably expects that the mileage incurred by a candidate or agent of the political committee for political travel will be greater than fifty percent (50%) of the aggregate annual mileage, the political committee may lease an automobile in the name of the committee. The committee should pay all costs associated with use of the automobile, including the cost of maintenance and repair, insurance and gas; subject to the conditions set forth in this memorandum.



3. Reimbursement Options for Personal Use.- There are two reimbursement options which a political committee may use when an automobile leased by a committee is used for personal travel. Regardless of which method is used, the committee should record the leased automobile's odometer reading each month and determine the total miles traveled. The committee should also be reimbursed by the candidate within 30 days of such personal travel. Candidates and political committees which comply with either option will ensure that expenditures will not be made for a candidate's or any other person's personal use.

(a) Mileage Option - Under this option, the candidate would reimburse the political committee for all personal travel based upon the standard mileage rate set by the Internal Revenue Service¹. In 2001, the rate is 34.5 cents.

Example: The political committee records odometer readings on January 1st (1,000 miles) and February 1st (2,500). The candidate provides the committee with records documenting political travel of 1,250 miles. Therefore, 250 miles are personal travel. The candidate would reimburse the committee \$86.25 (250 miles x 34.5 cents per mile).

(b) Percentage Option.- Under this option, the candidate would reimburse the committee a percentage of the total cost based on the total miles of personal travel. The miles for personal travel are divided by the total miles traveled during the month. The result is then multiplied by the committee's total monthly cost for that month. The following example will clarify how the formula works:

Example: The political committee records odometer readings on May 1st (35,000 miles) and June 1st (37,500 miles) or 2,500 miles in total for May. The total cost for the leased automobile in May is \$1,000 broken down as follows: \$250 (insurance), \$325 (lease payments), \$125 (gas) and \$300 (repairs and maintenance). The candidate provides the committee with records documenting 2,000 miles of political travel. Therefore, 500 miles (or 20% of the total mileage) are considered personal travel. The candidate would reimburse the committee \$200, the amount equal to the total miles of personal travel divided by total miles of travel multiplied by total monthly cost i.e. or $(500/2500) \times \$1,000 = \200 .

A candidate may not alternate between the mileage or percentage option on a monthly basis. Once a candidate selects a particular option, the candidate should use the option consistently for at least 6 months.

4. Legislator's Per Diem.- By law, a political committee may not pay for any expense which is otherwise paid, provided or reimbursed by the commonwealth, such as a legislator's per diem for mileage, meals and lodging. Therefore, if a legislator uses an automobile leased by a political committee for commuting to and from the state house, such travel must be considered personal not political unless the legislator:

(a) forgoes the per diem, or

¹ Current IRS standard mileage rates can be obtained from the official IRS website at www.irs.gov.

(b) maintains detailed accounts which document that the per diem has been used to pay for other expenses covered by the per diem.

Example: A legislator receives a \$16.00 per diem and commutes 100 miles round trip to the state house in a automobile leased by the legislator's political committee.

(a) If the legislator forgoes the per diem, he does not have to reimburse his political committee for commuting to the state house.

(b) If the legislator does not forgo the per diem, he must reimburse his committee the full amount of the per diem for commuting to the state house since the cost of the commute is actually greater than the per diem, i.e. $100 \text{ miles} \times 34.5 \text{ cents per mile} = \34.50 .

(c) If the legislator does not forgo the per diem, he does not have to reimburse his political committee for commuting to the state house if he has records which document that the per diem was used to pay for meals or lodging in connection with travel to and from the state house.

5. Recordkeeping - The key to ensuring that a political committee does not inadvertently make expenditures for personal travel in connection with a leased automobile is good record keeping. Political committees leasing automobiles should maintain a copy of the lease and the following information and records:

(a) monthly and annual odometer readings for the automobile;

(b) the amount of each expense, date the expense was incurred, a description of the purpose of the operating expense, and a receipted bill; and

(c) candidate records documenting political travel which include the date of travel, the purpose and destination of the travel and the distance traveled.

Candidates and political committees must preserve all records relative to such expenditures for a period of six years from the date of the relevant election.

6. Other Reimbursement Options - A political committee which wishes to use any other reimbursement option is strongly advised to first consult with OCPF staff.